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SUPPLEMENT
TO THE
REPUBLIC OF SINGAPORE
GOVERNMENT GAZETTE
FRIDAY, 30TH JUNE 2006

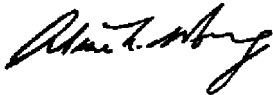
REPORT ON THE AUDIT OF
THE FINANCIAL STATEMENTS OF
THE HOUSING AND DEVELOPMENT BOARD
FOR THE YEAR ENDED 31ST MARCH 2006

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HOUSING AND DEVELOPMENT BOARD**STATEMENT BY THE HDB BOARD**

In our opinion, the accompanying Balance Sheet, Income and Expenditure Statements, Statements of Changes in Capital and Reserves and Consolidated Cash Flow Statement together with the notes thereto as set up on pages 3 to 39 are drawn up so as to give a true and fair view of the state of affairs of the Housing and Development Board (HDB) and the Group as at 31 March 2006, and the results and changes in capital and reserves of HDB and the Group, and changes in cash flows of Group for the year ended on that date.

On Behalf of the Board



ALINE WONG
Chairman



JAMES KOH CHER SIANG
Deputy Chairman

26 May 2006

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS
OF THE HOUSING AND DEVELOPMENT BOARD
FOR THE YEAR ENDED 31 MARCH 2006**

The financial statements of the Housing and Development Board, set out on pages 3 to 39, have been audited under my direction and in accordance with the provisions of the Housing and Development Act (Cap. 129, 2004 Revised Edition). These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on the audit.

The audit was conducted in accordance with the Housing and Development Act (Cap. 129, 2004 Revised Edition) and Singapore Standards on Auditing. Those Standards require that the audit be planned and performed in order to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board's management, as well as evaluating the overall financial statements presentation. I believe that the audit provides a reasonable basis for my opinion.

In my opinion,

- (a) the consolidated financial statements of the Group and the financial statements of the Board are properly drawn up in accordance with the provisions of the Housing and Development Act (Cap. 129, 2004 Revised Edition) and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Board as at 31 March 2006, and the results and changes in equity of the Group and of the Board, and the cash flows of the Group for the year ended on that date;
- (b) proper accounting and other records of the Board have been kept, including records of all assets of the Board whether purchased, donated or otherwise; and
- (c) receipts, expenditure and investment of moneys and the acquisition and disposal of assets by the Board during the financial year have been in accordance with the provisions of the Housing and Development Act (Cap. 129, 2004 Revised Edition) and the Constitution.

Without qualifying my opinion I draw attention to Note 2.8 to the financial statements. The Board did not carry out impairment review for rental flats and car parks as according to HDB, these properties are for the provision of social services and amenities to the public.



CHUANG KWONG YONG
AUDITOR-GENERAL
SINGAPORE

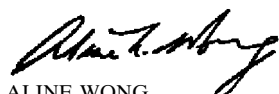
29 May 2006

HOUSING AND DEVELOPMENT BOARD AND SUBSIDIARY COMPANIES

BALANCE SHEETS AS AT 31 MARCH 2006

	<i>Note</i>	<i>HDB</i>		<i>Group</i>	
		<i>2005/2006</i>	<i>2004/2005</i>	<i>2005/2006</i>	<i>2004/2005</i>
		<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
CAPITAL AND RESERVES					
Capital account		2,463,681	2,463,681	2,468,181	2,468,181
Capital gains reserve		5,636,702	5,045,809	5,636,702	5,045,809
Asset revaluation reserve		6,148,217	7,980,890	6,148,217	7,980,890
Foreign currency translation reserve		—	—	(24)	(36)
Fair value reserve		—	—	4,179	—
Retained earnings		—	—	86,014	100,746
		14,248,600	15,490,380	14,343,269	15,595,590
MINORITY INTERESTS		—	—	32,156	35,671
TOTAL EQUITY		14,248,600	15,490,380	14,375,425	15,631,261
NON-CURRENT ASSETS					
Property, plant and equipment	3	15,088,210	15,958,542	15,094,096	15,964,554
Investment properties	4	4,823,584	5,618,046	4,838,809	5,633,271
Loans receivable	5	51,883,558	53,980,627	51,883,920	53,981,458
Investments in subsidiary companies	6	1,500	1,500	—	—
Investments in associated companies	7	—	—	581	515
Other investments	8	—	—	69,504	71,323
Deferred tax asset		—	—	3,186	2,945
		71,796,852	75,558,715	71,890,096	75,654,066
CURRENT ASSETS					
Properties under development	9	2,024,734	2,358,653	2,024,734	2,358,653
Properties for sale	10	2,254,917	3,329,043	2,254,917	3,329,043
Stocks of building materials		51,503	55,450	53,370	57,748
Loans receivable within 1 year	5	2,665,998	2,676,271	2,666,187	2,676,556
Other investments	8	—	—	20,929	28,131
Government grant receivable	11	656,270	490,103	656,270	490,103
Debtors and other receivables	12	292,744	278,863	299,010	285,383
Cash and cash equivalents	13	19,020	47,141	42,954	75,479
		7,965,186	9,235,524	8,018,371	9,301,096
<i>Less: CURRENT LIABILITIES</i>					
Loans payable within 1 year	14	5,484,686	5,375,566	5,484,686	5,375,566
Creditors and other payables	15	1,254,510	1,306,932	1,274,486	1,327,153
Amount due to subsidiary companies		372	179	—	—
		6,739,568	6,682,677	6,759,172	6,702,719
NET CURRENT ASSETS		1,225,618	2,552,847	1,259,199	2,598,377
NON-CURRENT LIABILITIES					
Loans payable	14	58,164,925	62,007,391	58,164,925	62,007,391
Deferred income	16	608,945	613,791	608,945	613,791
		58,773,870	62,621,182	58,773,870	62,621,182
NET ASSETS		14,248,600	15,490,380	14,375,425	15,631,261

The accompanying notes form part of the financial statements.


ALINE WONG
Chairman


MAH LAI SEONG
Director (Finance)

26 May 2006

**HOUSING AND DEVELOPMENT BOARD
AND SUBSIDIARY COMPANIES**

**INCOME AND EXPENDITURE STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006**

	<i>Note</i>	<i>HDB</i>		<i>Group</i>	
		<i>2005/2006</i>	<i>2004/2005</i>	<i>2005/2006</i>	<i>2004/2005</i>
		<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Sale proceeds		2,201,716	1,968,218	2,201,716	1,968,218
Cost of sales		(2,069,545)	(1,851,997)	(2,069,545)	(1,851,997)
Gross profit on sales		132,171	116,221	132,171	116,221
Income	17	3,167,605	3,129,917	3,226,423	3,211,915
Financial expenses	18	(1,805,275)	(1,930,962)	(1,805,275)	(1,930,962)
Operating expenses	19	(2,626,288)	(1,909,512)	(2,695,760)	(1,963,115)
Other expenses	20	(274,172)	(230,035)	(274,172)	(230,035)
		(1,405,959)	(824,371)	(1,416,613)	(795,976)
Loss on divestment of subsidiary company	21	—	(25,785)	—	(50)
Share of results of associated companies and joint ventures		—	—	(150)	2,080
NET DEFICIT BEFORE GOVERNMENT GRANT AND TAXATION		(1,405,959)	(850,156)	(1,416,763)	(793,946)
Government grant	11	754,695	919,309	754,695	919,309
NET (DEFICIT)/SURPLUS BEFORE TAXATION		(651,264)	69,153	(662,068)	125,363
Taxation		—	—	(2,281)	(5,146)
NET (DEFICIT)/SURPLUS AFTER TAXATION		(651,264)	69,153	(664,349)	120,217
Minority interests		—	—	(2,844)	(3,236)
NET (DEFICIT)/SURPLUS FOR THE YEAR		(651,264)	69,153	(667,193)	116,981
RETAINED EARNINGS AT THE BEGINNING OF THE YEAR		—	—	100,746	52,428
Effect of adopting FRS 39		—	—	1,197	—
RETAINED EARNINGS AT THE BEGINNING OF THE YEAR, RESTATED		—	—	101,943	52,428
Transfer from asset revaluation reserve		116,520	56,072	116,520	56,072
Transfer from capital account		—	—	—	490
Transfer from/(to) capital gains reserve		534,744	(125,225)	534,744	(125,225)
RETAINED EARNINGS AT THE END OF THE YEAR		—	—	86,014	100,746

The accompanying notes form part of the financial statements.

**HOUSING AND DEVELOPMENT BOARD
AND SUBSIDIARY COMPANIES**

**STATEMENTS OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2006**

	<i>HDB</i>		<i>Group</i>	
	<i>2005/2006</i>	<i>2004/2005</i>	<i>2005/2006</i>	<i>2004/2005</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
CAPITAL ACCOUNT				
Balance as at 1 April	2,463,681	2,465,623	2,468,181	2,470,613
Adjustments	—	(1,942)	—	(2,432)
Balance as at 31 March	<u>2,463,681</u>	<u>2,463,681</u>	<u>2,468,181</u>	<u>2,468,181</u>
Net loss recognised directly in equity	<u>—</u>	<u>(1,942)</u>	<u>—</u>	<u>(1,942)</u>
CAPITAL GAINS RESERVE				
Balance as at 1 April	5,045,809	5,037,400	5,045,809	5,037,400
Effect of adopting FRS 40 (Note 2.25 (i) (c))	<u>1,125,637</u>	<u>—</u>	<u>1,125,637</u>	<u>—</u>
Balance as at 1 April, restated	6,171,446	5,037,400	6,171,446	5,037,400
Transfer (to)/from retained earnings	(534,744)	125,225	(534,744)	125,225
Return of reserve to the Government	<u>—</u>	<u>(116,816)</u>	<u>—</u>	<u>(116,816)</u>
Balance as at 31 March	<u>5,636,702</u>	<u>5,045,809</u>	<u>5,636,702</u>	<u>5,045,809</u>
ASSET REVALUATION RESERVE				
Balance as at 1 April	7,980,890	8,069,151	7,980,890	8,069,151
Effect of adopting FRS 40 (Note 2.25 (i) (c))	<u>(1,125,637)</u>	<u>—</u>	<u>(1,125,637)</u>	<u>—</u>
Balance as at 1 April, restated	6,855,253	8,069,151	6,855,253	8,069,151
Reversal in respect of land for return to the Government	(593,037)	(33,714)	(593,037)	(33,714)
Transfer to retained earnings on sale and demolition of assets	(116,520)	(56,072)	(116,520)	(56,072)
Impairment losses	(14,915)	—	(14,915)	—
Adjustments in respect of assets overstated in prior years	17,308	—	17,308	—
Adjustments	<u>128</u>	<u>1,525</u>	<u>128</u>	<u>1,525</u>
Balance as at 31 March	<u>6,148,217</u>	<u>7,980,890</u>	<u>6,148,217</u>	<u>7,980,890</u>
Net losses recognised directly in equity	<u>(590,516)</u>	<u>(32,189)</u>	<u>(590,516)</u>	<u>(32,189)</u>

**HOUSING AND DEVELOPMENT BOARD
AND SUBSIDIARY COMPANIES**

**STATEMENTS OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2006**

	<i>HDB</i>		<i>Group</i>	
	<i>2005/2006</i>	<i>2004/2005</i>	<i>2005/2006</i>	<i>2004/2005</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
FOREIGN CURRENCY TRANSLATION RESERVE				
Balance as at 1 April	—	—	(36)	(456)
Share of associated companies' and joint ventures' foreign currency translation reserves	—	—	12	(94)
Transfer to Income and Expenditure Statement on disposal of associated companies and joint ventures	—	—	—	514
Balance as at 31 March	—	—	(24)	(36)
Net gains recognised directly in equity	—	—	12	420
FAIR VALUE RESERVE				
Balance as at 1 April	—	—	—	—
Effect of adopting FRS 39 (Note 8)	—	—	3,295	—
Balance as at 1 April, restated	—	—	3,295	—
Fair value changes on available-for-sale assets	—	—	920	—
Amount transferred to Income and Expenditure Statement on disposal of available-for-sale assets	—	—	(36)	—
Balance as at 31 March	—	—	4,179	—
Net gains recognised directly in equity	—	—	884	—
RETAINED EARNINGS				
Balance as at 1 April	—	—	100,746	52,428
Effect of adopting FRS 39 (Note 8)	—	—	1,197	—
Balance as at 1 April, restated	—	—	101,943	52,428
Net (deficit)/surplus for the year	(651,264)	69,153	(667,193)	116,981
Transfer from asset revaluation reserve	116,520	56,072	116,520	56,072
Transfer from capital account	—	—	—	490
Transfer from/(to) capital gains reserve	534,744	(125,225)	534,744	(125,225)
Balance as at 31 March	—	—	86,014	100,746
Net (losses)/gains recognised for the year	(651,264)	69,153	(667,193)	116,981

**HOUSING AND DEVELOPMENT BOARD
AND SUBSIDIARY COMPANIES**

**STATEMENTS OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2006**

	<i>HDB</i>		<i>Group</i>	
	<i>2005/2006</i> S\$'000	<i>2004/2005</i> S\$'000	<i>2005/2006</i> S\$'000	<i>2004/2005</i> S\$'000
MINORITY INTERESTS				
Balance as at 1 April	—	—	35,671	33,078
Effect of adopting FRS 39 (Note 8)	—	—	1,498	—
Balance as at 1 April, restated	—	—	37,169	33,078
Share of results of the subsidiary company	—	—	2,844	3,236
Share of fair value changes on available-for-sale assets	—	—	306	—
Share of amount transferred to Income and Expenditure Statement on disposal of available-for-sale assets	—	—	(12)	—
Share of foreign currency translation reserve for the period	—	—	4	(4)
Dividends paid	—	—	(8,155)	(639)
Balance as at 31 March	—	—	32,156	35,671
Net gains recognised directly in equity	—	—	3,142	3,232
TOTAL RECOGNISED (LOSSES)/ GAINS FOR THE YEAR	(1,241,780)	35,022	(1,253,671)	86,502
TOTAL CAPITAL AND RESERVES	14,248,600	15,490,380	14,375,425	15,631,261

The accompanying notes form part of the financial statements.

HOUSING AND DEVELOPMENT BOARD AND SUBSIDIARY COMPANIES

NOTES TO STATEMENTS OF CHANGES IN CAPITAL AND RESERVES FOR THE YEAR ENDED 31 MARCH 2006

Capital Account

The capital account represents:

- (a) the effects of identification and valuation of all properties and changes in accounting when Housing and Development Board (HDB) adopted the present conventional accounting system on 1 April 1985; and
- (b) the premium on the sale of land under the previous accounting system.

The adjustments made during the year related to the over/understatement of assets when fixed assets records were set up to implement the present accounting system on 1 April 1985.

Capital Gains Reserve

Under the Constitution of the Republic of Singapore, reserves of the HDB which were not accumulated during the current term of office of the Government cannot be drawn on without the approval of the President. The capital gains reserve was created to enable HDB to preserve the capital gains attributable to past governments on disposal of assets held at the changeover date of the Government.

Asset Revaluation Reserve

The previous system did not maintain individual asset accounts and HDB was unable to identify the historical cost of each asset. When HDB adopted the present conventional accounting system in 1985, all properties owned by HDB at 1 April 1985 were valued at that date for the purpose of creating fixed asset accounts arising from a change in accounting policy. The bases of valuation were:

- Land and buildings of residential properties together with ancillary facilities such as car parks, markets and hawker centres were valued at replacement cost less depreciation since the date of completion of construction; and
- Land and buildings for commercial and industrial properties were valued at open market value.

HDB conducted a second valuation for the commercial and industrial properties on 31 March 1986. The valuations were conducted by HDB's in-house valuers.

The surplus over the estimated historical cost of the properties which could be reasonably identified is carried forward as the asset revaluation reserve.

In connection with the adoption of Financial Reporting Standard (FRS) 40 Investment Property, the asset revaluation reserve in respect of investment properties was reclassified to capital gains reserve. Additional disclosure on the reclassification of the asset revaluation reserve is made in Note 2.25 (i) (c) on FRS 40.

When properties which were previously carried at revalued amounts are impaired, the impairment loss would be charged to the asset revaluation reserve unless the balance in the asset revaluation reserve is insufficient to cover the loss, in which case the amount by which the loss exceeds the amount in the asset revaluation reserve is charged to the income and expenditure statement.

An adjustment of S\$17 million was charged against the income and expenditure statement during the year in respect of assets overstated in prior years.

Fair Value Reserve

The fair value reserve includes the cumulative net change in the fair value of available-for-sale financial assets that are recorded directly to reserves until the financial assets are derecognised.

**HOUSING AND DEVELOPMENT BOARD
AND SUBSIDIARY COMPANIES**

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2006**

		Group	
		2005/2006	2004/2005
	Note	S\$'000	S\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net deficit before government grant and taxation		(1,416,763)	(793,946)
Adjustments for:			
Interest expense	18	1,805,546	1,931,218
Depreciation	19	347,522	328,878
Bad and doubtful debts		85,572	32,487
(Release)/Provision for loss for properties under development/for sale		(22,012)	96,778
Write-back of unutilised provision	15	—	(73,988)
Amortisation of deferred income		(69,910)	(70,198)
Amortisation of premium/discount on bonds	18	(271)	(256)
Gain on disposal/write-off of assets		(44,883)	(31,832)
Impairment loss on property, plant and equipment, and investment properties	19	765,505	—
Deferred gain adjustments for inter-company transactions		—	(3,849)
Investment income	17	(5,623)	(6,023)
Loss on disposal of subsidiary company		—	50
Share of results of associated companies and joint ventures		150	(1,566)
Surplus before working capital changes		1,444,833	1,407,753
(Increase)/Decrease in working capital:			
Properties under development		(676,310)	(1,205,515)
Properties for sale		2,167,855	1,946,273
Stocks of building materials		4,378	7,018
Debtors and other receivables		(24,294)	(71,143)
Creditors and other payables		(163,175)	(534,159)
Amount due to associated companies		—	(38)
		1,308,454	142,436
Repayment of loans receivable		5,624,619	5,806,719
Loans granted		(3,591,689)	(2,481,759)
Interest paid		(1,756,214)	(2,019,329)
Income tax paid		(2,771)	(4,606)
Deferred income received		62,216	73,668
Net cash from operating activities		3,089,448	2,924,882

**HOUSING AND DEVELOPMENT BOARD
AND SUBSIDIARY COMPANIES**

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2006**

	<i>Note</i>	<i>Group</i>	
		<i>2005/2006</i>	<i>2004/2005</i>
		<i>S\$'000</i>	<i>S\$'000</i>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment, and investment properties		141,576	89,086
Capital expenditure		(109,097)	(167,407)
Purchase of property, plant and equipment, and investment properties		(23,439)	(15,524)
Interest received		3,961	3,561
Dividends received from other investments		1,556	1,604
Proceeds from disposal of other investments		40,452	14,192
Purchase of investments		(24,080)	(8,136)
Net proceeds from disposal of subsidiary company	21	—	(52,000)
Acquisition of associated company		(200)	—
Net cash from/(used in) investing activities		<u>30,729</u>	<u>(134,624)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans payable received		11,069,124	12,058,221
Repayment of loans payable		(14,802,199)	(15,579,941)
Net government grant received		588,528	699,814
Dividends paid to minority shareholders		(8,155)	(639)
Net cash used in financing activities		<u>(3,152,702)</u>	<u>(2,822,545)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		<u>(32,525)</u>	<u>(32,287)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		<u>75,479</u>	<u>107,766</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	13	<u><u>42,954</u></u>	<u><u>75,479</u></u>

The accompanying notes form part of the financial statements.

HOUSING AND DEVELOPMENT BOARD AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

These Notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL

The Housing and Development Board (HDB) is a statutory body incorporated under the Housing and Development Act (Cap. 129, 2004 Revised Edition) under the purview of the Ministry of National Development (MND). As a statutory board, the HDB is subject to the directions of the Minister of National Development and is required to implement policies and comply with instructions from its supervisory ministry and other Government Ministries and Departments such as the Ministry of Finance (MOF).

The address of HDB is HDB Hub 480 Lorong 6 Toa Payoh Singapore 310480.

The principal activities of HDB consist of the sale and rental of residential flats, the upgrading and redevelopment of older estates, and the granting of mortgage financing to the eligible purchasers of HDB flats. In addition, HDB develops and manages ancillary facilities such as commercial properties, industrial properties, car parks, markets, hawker centres, and other amenities in the housing estates.

The financial statements of the HDB and the consolidated financial statements for the Group for the year ended 31 March 2006 were authorised for issue in accordance with the approval of the Board on 24 May 2006.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with the provisions of the Housing and Development Act and Singapore Financial Reporting Standards ("FRS"), including related Interpretations.

The financial statements are expressed in Singapore dollars (S\$) and rounded to the nearest thousand, unless otherwise stated. They are prepared under the historical cost convention, modified by the revaluation of certain properties. For certain financial assets, they are stated at fair value.

The preparation of financial statements in conformity with FRS requires management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenditure during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

In FY 2005/2006, the Group adopted the following new/revised FRS which are relevant to its operations and comparative figures have been amended as required. Adoption of the new/revised FRS does not have an effect on the Group other than those disclosed in the financial statements.

FRS 1 (revised) Presentation of Financial Statements

FRS 2 (revised) Inventories

FRS 8 (revised) Accounting Policies, Changes in Accounting Estimates and Errors

FRS 10 (revised) Events after the Balance Sheet Date

FRS 16 (revised) Property, Plant and Equipment

2.1 *Basis of preparation — (continued)*

- FRS 17 (revised) Leases
- FRS 21 (revised) The Effects of Changes in Foreign Exchange Rates
- FRS 24 (revised) Related Party Disclosures
- FRS 27 (revised) Consolidated and Separate Financial Statements
- FRS 28 (revised) Investments in Associates
- FRS 32 (revised) Financial Instruments: Disclosure and Presentation
- FRS 36 (revised) Impairment of Assets
- FRS 39 (revised) Financial Instruments: Recognition and Measurement
- FRS 40 Investment Property

2.2 *Consolidation*

The consolidated financial statements include the financial statements of HDB and its subsidiary companies prepared up to the end of the financial year after the elimination of all material inter-company transactions. The equity and net surplus attributable to minority shareholders' interest are shown separately in the consolidated balance sheet and income and expenditure statement respectively.

In the consolidated financial statements, subsidiary companies are accounted for using the purchase method. The subsidiary companies are consolidated from the date of formation up to the effective date of disposal. Interest in associated companies are accounted for using the equity method of accounting. Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

2.3 *Subsidiary Companies*

A subsidiary company is a company in which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The investments held in the subsidiary companies are stated at cost less any impairment loss in balance sheet. An assessment of investments in subsidiary companies is performed when there is an indication that an investment has been impaired or the impairment losses recognised in the prior year no longer exist.

2.4 *Associated Companies*

An associated company is a company in which the Group has a long-term equity interest of between 20% and 50% and has significant influence over the company's financial and operating policy decisions. The Group's investments in the associated companies are stated at cost less any impairment loss in the balance sheet. An assessment of investments in associated companies is performed when there is an indication that an investment has been impaired or the impairment losses recognised in the prior year no longer exist. The Group's share of the operating results of the associated companies is included in the income and expenditure statement. The Group's share of the retained profit of the associated companies is reflected in the book value of the investments in the balance sheet.

2.5 *Property, Plant and Equipment*

(i) *Land And Buildings*

All land and buildings owned by HDB at 1 April 1985 were valued at that date for the purpose of creating asset accounts arising from a change in accounting policy. Additional disclosure on the valuation of the properties is made in the note on asset revaluation reserve in the Statement of Changes in Capital and Reserves.

All land and buildings acquired or constructed after 1 April 1985 are recorded at cost less depreciation and impairment losses. Cost of properties includes the cost of land, construction cost, development overheads and financing cost until completion of the project.

When a building comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

2.5 *Property, Plant and Equipment — (continued)*

(ii) *Other Property, Plant and Equipment*

All other property, plant and equipment are stated at cost less depreciation and impairment losses. Assets costing less than S\$2,000 each are written off in the year of acquisition.

An item of property, plant and equipment is derecognised upon its disposal. The difference between the net disposal proceeds and its carrying amount is taken to the income and expenditure statement. Any amount in the asset revaluation reserve is transferred directly to retained earnings.

(iii) *Subsequent Expenditure*

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance before the expenditure was made, will flow to the Group and the cost can be reliably measured. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iv) *Depreciation*

No depreciation is provided on freehold land and leasehold land of 999 years and artworks. All other property, plant and equipment are depreciated from their dates of purchase or completion on a straight-line basis over their estimated useful lives, as follows:

Leasehold land	— 99 years or the remaining life of the lease
Buildings	— 60 years
Plant and machinery	— 3–10 years
Office equipment, furniture, fixtures and fittings	— 3–12 years
Motor vehicles	— 6 years

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

The useful lives and residual values of property, plant and equipment are reviewed, and adjusted as appropriate at each balance sheet date.

2.6 *Investment Properties*

Investment properties are held for their long-term rental yields or for capital appreciation or both, and are not occupied by the companies of the Group.

Investment properties, comprising industrial properties and commercial complexes, are stated at cost less depreciation and impairment losses. Depreciation is determined on a straight-line basis over the estimated useful lives. The useful lives are stated in Note 2.5(iv).

Property that is being developed for future use as investment property is classified as property under development until the development is completed, at which time it is classified and accounted for as investment property.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is taken to the income and expenditure statement.

2.7 *Properties Under Development*

Properties under development are stated at cost. They include cost of upgrading sold properties which is recoverable from lessees and Town Councils, and improvements to properties.

The cost includes cost of land, construction cost, professional fees, interest and other development expenditure.

Provision is made for foreseeable loss for flats under development.

2.8 *Impairment of Property, Plant and Equipment and Investment Properties*

Property, plant and equipment, and investment properties are reviewed for impairment at each balance sheet date whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income and expenditure statement unless it reverses a previous revaluation credited to asset revaluation reserve, in which case it is charged to asset revaluation reserve.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in the income and expenditure statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. However, the increased carrying amount of asset due to a reversal of impairment losses is recognised to the extent it does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for that asset in prior years.

For properties where the fees and charges recoverable from the rental of these properties are gazetted, or applicable only to eligible tenants under criteria which are in line with Government's housing and social policies, no review for impairment is carried out.

2.9 *Loans, Debtors and Other Receivables*

Loans, trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

If there is objective evidence that an impairment loss on loans, debtors and other receivables has been incurred, the carrying amount of the asset shall be reduced either directly or through the use of a provision account. The amount of the loss shall be recognised in the income and expenditure statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income and expenditure statement, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

2.10 *Investment in Financial Assets*

The Group classifies its investments in financial assets in the following categories: financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date, with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

Financial assets at fair value through profit or loss has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. The Group's held-to-maturity investments include investments in fixed and variable rate corporate bonds.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in the other categories.

Purchases and sales of investments are recognised on trade date i.e. date the Group commits to purchase or sell the financial asset. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2.10 *Investment in Financial Assets — (continued)*

The financial assets are initially recognised at fair value. After initial recognition, held-to-maturity investments are carried at amortised cost using the effective interest method. Available-for-sale financial assets and financial assets through profit or loss are carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the income and expenditure statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of investments classified as available-for-sale are recognised in the fair value reserve. When investments classified as available-for-sale are sold or impaired, the cumulative gain or loss previously recognised in the fair value reserve is recognised in the income and expenditure statement.

The fair value of quoted financial assets is based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The financial assets are reviewed for impairment at each balance sheet date whenever events or changes in circumstances indicate that the carrying amount of a financial asset may not be recoverable.

An impairment loss is recognised in the income and expenditure statement when there is objective evidence that the asset is impaired. In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost is considered in determining whether the investments are impaired. If such evidence exists for available-for-sale financial assets, the cumulative loss is removed from the fair value reserve and recognised in the income and expenditure statement. Impairment loss recognised in the income and expenditure statement on equity investments is not reversed through the income and expenditure statement, until the equity investments are disposed of.

2.11 *Cash and Cash Equivalents*

Cash and cash equivalents comprise fixed deposits and cash and bank balances. They are subject to an insignificant risk of change in value.

2.12 *Creditors and Other Payables*

Creditors and other payables are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method.

2.13 *Fair Value Estimation*

The fair value of financial instruments traded in active markets is based on quoted market prices at balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price and the quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying amounts of cash and cash equivalents, current receivables and current payables are assumed to approximate their fair values. The Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

2.14 *Provisions*

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

2.15 *Employee Benefits*

(i) *Defined Contribution Plans*

Contributions on employees' salaries are made to the Central Provident Fund (CPF), as required by law. The CPF contributions are recognised as an expense in the period when the employees rendered their services.

(ii) *Employees' Leave Entitlement*

Employees' entitlement to annual leave are recognised when they accrue to the employees. An accrual of the estimated liability for annual leave, based on services rendered by employees, is made at balance sheet date.

(iii) *Termination Benefits*

Termination benefits are payable whenever an employee accepts voluntary redundancy in exchange for these benefits. Termination benefits are recognised as a result of an offer made due to redundancy.

2.16 *Loans Payable*

The housing development loans, mortgage financing loans and upgrading financing loans are taken from the Government under the Agreement for Loan Facility with the Government.

The mortgage financing loans and upgrading financing loans are taken to finance the mortgage loans granted to lessees for purchase of HDB flats and loans granted to lessees of upgraded flats under the deferred payment scheme. The housing development loans, bank loans and bonds are to finance HDB's development programmes and operational requirements.

The loans and bonds are initially recognised at fair value. After initial recognition, they are subsequently measured at amortised cost using the effective interest method.

2.17 *Properties for Sale*

Properties for sale are stated at the lower of cost and net realisable value. Cost is determined on the specific identification basis. The net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

2.18 *Stocks of Building Materials*

Stocks of building materials are stated at weighted average cost. The cost includes direct materials, labour, sub-contractors' cost and production overheads.

2.19 *Property Leases*

The sale premium and cost of sales of finance leases are taken to the income and expenditure statement in the year in which the lease is granted. Finance leases are:

- Land and buildings leased for a term of 50 years or more and for a fixed price; and
- Land and buildings leased for a period substantially the same as the remaining tenure owned by HDB.

All other leases are treated as operating leases. Income and expenses are recognised on a straight-line basis over the life of the lease.

2.20 *Income Recognition*

(i) *Sale Proceeds*

Proceeds from the sale of properties are recognised as income when the properties are sold.

(ii) *Rental Income*

Rental income is recognised on the accrual basis over the period of the leases.

(iii) *Recoveries*

The lessees' and Town Councils' (for Lift Upgrading only) share of the upgrading cost are recognised as income upon completion of the upgrading works.

2.20 *Income Recognition — (continued)*

(iv) *Interest*

Interest income from mortgage loans granted to purchasers of HDB flats is calculated based on monthly rest and recognised on the accrual basis.

(v) *Car Park Charges*

Season parking fees are recognised on the accrual basis. Other parking fees and related charges are recognised on the cash basis.

(vi) *Investment Income*

Dividend income and interest income from fixed deposits are recognised on the accrual basis.

2.21 *Financial Expenses*

(i) *Housing Development Loans, Bank Loans and Bonds*

HDB's development programmes and operational requirements are financed by housing development loans from the Government, bank loans and bonds. Financial expenses comprise interest incurred on these loans and net amortised discount/premium on bonds. Based on the funding requirements, financial expenses are apportioned and expensed off in the income and expenditure statement or capitalised in properties under development until the completion of the properties.

(ii) *Mortgage and Upgrading Financing Loans*

HDB provides financing schemes to purchasers of HDB flats and lessees of upgraded flats. The schemes are financed by mortgage and upgrading financing loans from the Government. Financial expenses are expensed off in the income and expenditure statement when incurred.

2.22 *Taxation*

HDB is exempt from tax under section 13 (1) (e) of the Income Tax Act (Cap. 134, 2004 Revised Edition).

Deferred taxation is provided in full, using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.23 *Foreign Currency*

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity. The consolidated financial statements of HDB are presented in Singapore Dollars, which is the functional currency of HDB.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income and expenditure statement.

Foreign currency monetary assets and liabilities are translated into the functional currency at the rates of exchange prevailing at the balance sheet date. Exchange differences arising are taken to the income and expenditure statement.

2.23 Foreign Currency — (continued)

In respect of the results and financial position of Group entities (none of which has the currency of a hyperinflationary economy) that are in functional currencies other than Singapore Dollars, the assets and liabilities for each balance sheet presented are translated at the closing rate at the balance sheet date, and the income and expenses for each income and expenditure statement are translated at average exchange rates. All resulting exchange differences are taken directly to the foreign currency translation reserve.

2.24 Government Grant

HDB is on bottom-line deficit financing and its annual deficit is fully covered by government grant. In addition, a grant is given to HDB so that the reserves of past governments are protected in accordance with the Constitution. The financing arrangement is subject to the MOF's review from time to time. The cumulative grant received from the Government since the establishment of HDB is disclosed in Note 22.

Government grant is accounted for on the accrual basis.

2.25 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the following:

(i) Effect on Financial Statements on Adoption of New or Revised FRS

(a) FRS 16 (revised) Property, Plant and Equipment

Previously, no depreciation was recognised in respect of land reserved for car park development. With the adoption of the revised FRS 16, depreciation of the reserved land commenced with effect from 1 April 2005. The change had been accounted for by retrospectively recognising depreciation expenditure of S\$14 million in respect of these reserved land in the FY 2005/2006 income and expenditure statement.

As the impact of the change was not significant, comparatives and opening balances of retained earnings were not restated.

(b) FRS 39 (revised) Financial Instruments: Recognition and Measurement

The adoption of FRS 39 had resulted in the Group measuring and recognising the available-for-sale financial assets at fair value. The effect of the change had been accounted for by restating the opening balance at 1 April 2005 of the fair value reserve by S\$3 million. Comparatives had not been restated.

(c) FRS 40 Investment Property

The HDB early adopted FRS 40 Investment Property in the FY 2005/2006 financial statements and applied the cost model.

As the valuation performed in 1985/1986 was to establish the asset records to support the change in the accounting system, it was treated as the cost of the assets under the transitional provisions prescribed for the cost model in FRS 40. The associated asset revaluation reserve of S\$1,126 million in connection with the 1985/86 valuation exercise was reclassified to capital gains reserve in FY 2005/2006.

The early adoption did not result in substantial changes to the Group's accounting policies.

(ii) Other Changes in Accounting Policies

(a) Properties Under Development

Previously, no provision for loss was made for properties under development. In FY 2005/2006, HDB revised its policy and recognised any foreseeable loss for properties under development during the financial year. The revised policy resulted in S\$669 million decrease to properties under development and a similar increase to government grant receivable. The change also resulted in an S\$18 million (FY 2004/2005: S\$187 million) increase to net deficit before government grant and taxation. The comparatives had been restated to account for the change.

3. PROPERTY, PLANT AND EQUIPMENT

	<i>HDB</i>				
	<i>Land</i>	<i>Buildings</i>	<i>Plant and Machinery</i>	<i>Office Equipment, Furniture and Vehicles</i>	<i>Total</i>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
<i>Cost or valuation</i>					
At 1 April 2005	12,362,243	6,295,254	15,048	83,791	18,756,336
Additions	91,265	96,263	147	3,293	190,968
Disposals/Write-off	(683,983)	(44,667)	(3,425)	(11,773)	(743,848)
Transfers	(57,028)	(22,795)	—	—	(79,823)
At 31 March 2006	<u>11,712,497</u>	<u>6,324,055</u>	<u>11,770</u>	<u>75,311</u>	<u>18,123,633</u>
<i>Representing:</i>					
Valuation					
1 April 1985	5,377,430	889,554	—	—	6,266,984
31 March 1986	365,966	344,806	—	—	710,772
Cost	<u>5,969,101</u>	<u>5,089,695</u>	<u>11,770</u>	<u>75,311</u>	<u>11,145,877</u>
	<u>11,712,497</u>	<u>6,324,055</u>	<u>11,770</u>	<u>75,311</u>	<u>18,123,633</u>
<i>Accumulated depreciation and impairment losses</i>					
At 1 April 2005	1,528,816	1,185,428	12,821	70,729	2,797,794
Additions	137,753	111,841	449	6,473	256,516
Disposals/Write-off	(20,184)	(20,145)	(3,033)	(11,588)	(54,950)
Transfers	(5,596)	(6,788)	—	—	(12,384)
Impairment losses	37,693	10,754	—	—	48,447
At 31 March 2006	<u>1,678,482</u>	<u>1,281,090</u>	<u>10,237</u>	<u>65,614</u>	<u>3,035,423</u>
<i>Carrying amounts</i>					
At 31 March 2006	<u>10,034,015</u>	<u>5,042,965</u>	<u>1,533</u>	<u>9,697</u>	<u>15,088,210</u>

The carrying amount of land and buildings of commercial properties was written down to recoverable amount by S\$48 million (FY 2004/2005: Nil). Market values are determined in-house using the comparable sales method. The net amount written down is either offsetted against the asset revaluation reserve or included in operating expenses.

Land and buildings include markets and hawker centres for which the management was transferred to the National Environment Agency (NEA) from April 2004. Under the agreement to manage and maintain the markets and hawker centres, the NEA shall retain the rental collected, bear the operating expenses and reimburse HDB for holding and maintaining these properties. The net book value of these markets and hawker centres was S\$416 million (FY 2004/2005: S\$401 million).

3. PROPERTY, PLANT AND EQUIPMENT — (continued)

	<i>HDB</i>				
	<i>Land</i>	<i>Buildings</i>	<i>Plant and Machinery</i>	<i>Office Equipment, Furniture and Vehicles</i>	<i>Total</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
<i>Cost or valuation</i>					
At 1 April 2004	12,249,069	6,126,498	16,073	90,040	18,481,680
Additions	213,525	209,984	736	2,701	426,946
Disposals/Write-off	(59,516)	(25,849)	(1,761)	(8,950)	(96,076)
Transfers	(40,835)	(15,379)	—	—	(56,214)
At 31 March 2005	<u>12,362,243</u>	<u>6,295,254</u>	<u>15,048</u>	<u>83,791</u>	<u>18,756,336</u>
<i>Representing:</i>					
<i>Valuation</i>					
1 April 1985	6,032,155	919,681	—	—	6,951,836
31 March 1986	401,326	356,894	—	—	758,220
Cost	<u>5,928,762</u>	<u>5,018,679</u>	<u>15,048</u>	<u>83,791</u>	<u>11,046,280</u>
	<u>12,362,243</u>	<u>6,295,254</u>	<u>15,048</u>	<u>83,791</u>	<u>18,756,336</u>
<i>Accumulated depreciation and impairment losses</i>					
At 1 April 2004	1,419,501	1,088,437	13,645	68,778	2,590,361
Additions	119,418	109,552	848	10,221	240,039
Disposals/Write-off	(7,546)	(8,385)	(1,672)	(8,270)	(25,873)
Transfers	(2,557)	(4,176)	—	—	(6,733)
At 31 March 2005	<u>1,528,816</u>	<u>1,185,428</u>	<u>12,821</u>	<u>70,729</u>	<u>2,797,794</u>
<i>Carrying amounts</i>					
At 31 March 2005	<u>10,833,427</u>	<u>5,109,826</u>	<u>2,227</u>	<u>13,062</u>	<u>15,958,542</u>

3. PROPERTY, PLANT AND EQUIPMENT — (continued)

	<i>Group</i>				
	<i>Land</i>	<i>Buildings</i>	<i>Plant and Machinery</i>	<i>Office Equipment, Furniture and Vehicles</i>	<i>Total</i>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
<i>Cost or valuation</i>					
At 1 April 2005	12,362,243	6,300,823	15,320	87,680	18,766,066
Additions	91,265	96,263	147	3,603	191,278
Disposals/Write-off	(683,983)	(44,667)	(3,427)	(11,773)	(743,850)
Transfers	(57,028)	(22,795)	—	(390)	(80,213)
At 31 March 2006	<u>11,712,497</u>	<u>6,329,624</u>	<u>12,040</u>	<u>79,120</u>	<u>18,133,281</u>
<i>Representing:</i>					
<i>Valuation</i>					
1 April 1985	5,377,430	889,554	—	—	6,266,984
31 March 1986	365,966	344,806	—	—	710,772
Cost	<u>5,969,101</u>	<u>5,095,264</u>	<u>12,040</u>	<u>79,120</u>	<u>11,155,525</u>
	<u>11,712,497</u>	<u>6,329,624</u>	<u>12,040</u>	<u>79,120</u>	<u>18,133,281</u>
<i>Accumulated depreciation and impairment losses</i>					
At 1 April 2005	1,528,816	1,185,853	13,043	73,800	2,801,512
Additions	137,753	111,935	469	6,786	256,943
Disposals/Write-off	(20,184)	(20,145)	(3,035)	(11,969)	(55,333)
Transfers	(5,596)	(6,788)	—	—	(12,384)
Impairment losses	37,693	10,754	—	—	48,447
At 31 March 2006	<u>1,678,482</u>	<u>1,281,609</u>	<u>10,477</u>	<u>68,617</u>	<u>3,039,185</u>
<i>Carrying amounts</i>					
At 31 March 2006	<u>10,034,015</u>	<u>5,048,015</u>	<u>1,563</u>	<u>10,503</u>	<u>15,094,096</u>

3. PROPERTY, PLANT AND EQUIPMENT — (continued)

	<i>Group</i>				
	<i>Land</i>	<i>Buildings</i>	<i>Plant and Machinery</i>	<i>Office Equipment, Furniture and Vehicles</i>	<i>Total</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
<i>Cost or valuation</i>					
At 1 April 2004	12,249,069	6,132,067	17,337	100,832	18,499,305
Additions	213,525	209,984	736	3,435	427,680
Disposals/Write-off	(59,516)	(25,849)	(2,753)	(16,587)	(104,705)
Transfers	(40,835)	(15,379)	—	—	(56,214)
At 31 March 2005	<u>12,362,243</u>	<u>6,300,823</u>	<u>15,320</u>	<u>87,680</u>	<u>18,766,066</u>
<i>Representing:</i>					
<i>Valuation</i>					
1 April 1985	6,032,155	919,681	—	—	6,951,836
31 March 1986	401,326	356,894	—	—	758,220
Cost	<u>5,928,762</u>	<u>5,024,248</u>	<u>15,320</u>	<u>87,680</u>	<u>11,056,010</u>
	<u>12,362,243</u>	<u>6,300,823</u>	<u>15,320</u>	<u>87,680</u>	<u>18,766,066</u>
<i>Accumulated depreciation and impairment losses</i>					
At 1 April 2004	1,419,501	1,088,768	13,988	74,137	2,596,394
Additions	119,418	109,646	976	11,403	241,443
Disposals/Write-off	(7,546)	(8,385)	(1,921)	(11,740)	(29,592)
Transfers	(2,557)	(4,176)	—	—	(6,733)
At 31 March 2005	<u>1,528,816</u>	<u>1,185,853</u>	<u>13,043</u>	<u>73,800</u>	<u>2,801,512</u>
<i>Carrying amounts</i>					
At 31 March 2005	<u>10,833,427</u>	<u>5,114,970</u>	<u>2,277</u>	<u>13,880</u>	<u>15,964,554</u>

4. INVESTMENT PROPERTIES

	<i>HDB</i>	<i>Group</i>
	<u>S\$'000</u>	<u>S\$'000</u>
<i>Cost</i>		
At 1 April 2005	6,549,824	6,568,951
Additions	11,350	11,350
Disposals/Write-off	(909)	(909)
At 31 March 2006	<u>6,560,265</u>	<u>6,579,392</u>
<i>Accumulated depreciation and impairment losses</i>		
At 1 April 2005	931,778	935,680
Additions	90,579	90,579
Disposals/Write-off	(341)	(341)
Impairment losses	714,665	714,665
At 31 March 2006	<u>1,736,681</u>	<u>1,740,583</u>
<i>Carrying amounts</i>		
At 31 March 2006	<u>4,823,584</u>	<u>4,838,809</u>
<i>Valuation</i>		
At 31 March 2006	<u>9,748,045</u>	<u>9,764,145</u>

Investment properties, comprising industrial properties and commercial complexes, are stated at cost less depreciation and impairment losses. Market values are determined in-house using the comparable sales method or the income approach based on contractual rents. Valuations based on income approach are further verified with a sampling of market valuations by a private valuer.

	<i>HDB</i>	<i>Group</i>
	<u>S\$'000</u>	<u>S\$'000</u>
<i>Cost</i>		
At 1 April 2004	6,537,817	6,556,944
Additions	46,674	46,674
Disposals/Write-off	(34,667)	(34,667)
At 31 March 2005	<u>6,549,824</u>	<u>6,568,951</u>
<i>Accumulated depreciation and impairment losses</i>		
At 1 April 2004	857,694	861,596
Additions	87,622	87,622
Disposals/Write-off	(13,538)	(13,538)
At 31 March 2005	<u>931,778</u>	<u>935,680</u>
<i>Carrying amounts</i>		
At 31 March 2005	<u>5,618,046</u>	<u>5,633,271</u>

5. LOANS RECEIVABLE

	<i>HDB</i>		<i>Group</i>	
	<i>2005/2006</i>	<i>2004/2005</i>	<i>2005/2006</i>	<i>2004/2005</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
<i>Loans Receivable</i>				
Mortgage loans for flats	54,518,891	56,551,589	54,518,891	56,551,589
Loans for shops sold	13	16	13	16
Staff loans	—	—	551	1,116
	54,518,904	56,551,605	54,519,455	56,552,721
<i>Less:</i>				
Provision for receivable	(95,600)	(16,600)	(95,600)	(16,600)
	54,423,304	56,535,005	54,423,855	56,536,121
<i>Deferred receivable</i>				
Upgrading cost due from lessees	126,252	121,893	126,252	121,893
Balance as at 31 March	54,549,556	56,656,898	54,550,107	56,658,014
Represented by amount receivable:				
Within 1 year	2,665,998	2,676,271	2,666,187	2,676,556
Later than 1 year but not more than 2 years	2,466,807	2,462,766	2,466,940	2,462,988
Later than 2 years but not more than 5 years	7,540,640	7,571,335	7,540,843	7,571,707
Later than 5 years	41,876,111	43,946,526	41,876,137	43,946,763
	51,883,558	53,980,627	51,883,920	53,981,458
	54,549,556	56,656,898	54,550,107	56,658,014

The mortgage loans are granted to the flat buyers with the flats as collateral.

Under the Agreement for Loan Facility with the Government, mortgage and upgrading financing loans are obtained from the Government to finance loans granted to eligible purchasers of HDB flats at concessionary or market interest rates, in accordance with prevailing mortgage financing policy and upgrading programme of the Government.

The loans receivable and deferred receivable are denominated in Singapore Dollars.

The movements of loans receivable during the year for the Group:

	<i>Balance as at</i>	<i>Loans</i>		<i>Balance as at</i>
	<i>1.4.2005</i>	<i>Granted</i>	<i>Repayment</i>	<i>31.3.2006</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Mortgage loans for flats	56,551,589	3,591,614	5,624,312	54,518,891
Loans for shops sold	16	—	3	13
Staff loans	1,116	75	640	551
	56,552,721	3,591,689	5,624,955	54,519,455

5. LOANS RECEIVABLE — (continued)

The movements of provision for doubtful mortgage loans for flats for the Group:

	<i>Balance as at 1.4.2005</i>	<i>Provisions for the year</i>	<i>Provisions utilised</i>	<i>Balance as at 31.3.2006</i>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Mortgage loans for flats	<u>16,600</u>	<u>79,336</u>	<u>336</u>	<u>95,600</u>

Interest rates and repayment terms on the loans are:

	<i>Interest rate (per annum)</i>	<i>Repayment term</i>
Mortgage loans granted to lessees for purchase of HDB flats	2.60% to 3.50%	Up to 30 years
Loans granted to tenants for the purchase of shops	5.25%	4 years
Housing loans granted to staff	4.25% to 5%	Up to 25 years

Deferred receivable

Under the deferred payment scheme, lessees of upgraded flats can pay for their share of the upgrading costs through monthly instalments at interest rates ranging from 2.60% to 3.50% per annum over periods of up to 25 years.

6. INVESTMENTS IN SUBSIDIARY COMPANIES

	<i>HDB</i>		<i>Group</i>	
	<i>2005/2006</i>	<i>2004/2005</i>	<i>2005/2006</i>	<i>2004/2005</i>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
<i>Subsidiary company</i>				
Unquoted shares at cost	<u>1,500</u>	<u>1,500</u>	<u>—</u>	<u>—</u>

The subsidiary company is:

	<i>Cost of investments</i>	
	<i>2005/2006</i>	<i>2004/2005</i>
	<u>S\$'000</u>	<u>S\$'000</u>
<i>Subsidiary company of HDB</i>		
EM Services Pte Ltd ^(a)	<u>1,500</u>	<u>1,500</u>

	<i>Country of incorporation</i>	<i>Percentage of equity held by the Group</i>	
		<i>2005/2006</i>	<i>2004/2005</i>
		<u>%</u>	<u>%</u>
<i>Subsidiary company of HDB</i>			
EM Services Pte Ltd ^(a)	Singapore	75	75
<i>Subsidiary companies of EM Services Pte Ltd</i>			
EM (China) Pte Ltd ^(a)	Singapore	60	60
E M Property Management Pte Ltd ^(a)	Singapore	100	100
Yi An Property Agency Pte Ltd ^(a)	Singapore	100	100

^(a)Audited by SP Tan & Co.

7. INVESTMENTS IN ASSOCIATED COMPANIES

	<i>Group</i>	
	<i>2005/2006</i>	<i>2004/2005</i>
	<i>S\$'000</i>	<i>S\$'000</i>
<i>Associated companies</i>		
Unquoted shares at cost	970	770
Share of post-acquisition reserves	(389)	(255)
	<u>581</u>	<u>515</u>

	<i>Country of incorporation</i>	<i>Percentage of equity held by the Group</i>	
		<i>2005/2006</i>	<i>2004/2005</i>
		<i>%</i>	<i>%</i>
Pengda Investment & Development Pte Ltd ^(a)	Singapore	35	35
Semtec Construction Pte Ltd ^{(b) (d)}	Singapore	49	49
Yihe Holdings Pte Ltd ^(c)	Singapore	20	—

^(a) Audited by SP Tan & Co.

^(b) Audited by Ernst & Young.

^(c) Audited by PricewaterhouseCoopers.

^(d) Full provision had been made for the investment in the company.

8. OTHER INVESTMENTS

In accordance with FRS 39, other investments as at 1 April 2005 were reclassified into available-for-sale financial assets, held-to-maturity financial assets and financial assets at fair value through profit or loss to conform to the presentation adopted in FY 2005/2006.

	<i>Group</i>	
	<i>2005/2006</i>	<i>2004/2005</i>
	<i>S\$'000</i>	<i>S\$'000</i>
<i>Non-current investments:</i>		
Available-for-sale financial assets		
Balance as at 1 April		
— At cost	39,985	42,367
— Effect of adopting FRS 39	4,394	—
Balance as at 1 April, restated	44,379	42,367
Additions	18,624	6,618
Disposals (mainly on maturity)	(20,548)	(9,000)
Fair value gains transferred to equity	1,226	—
Balance as at 31 March	43,681	39,985
Less: Current portion	(10,000)	(11,000)
Non-current portion	33,681	28,985
Held-to-maturity financial assets		
— Bonds at amortised costs	35,823	42,338
	<u>69,504</u>	<u>71,323</u>
Fair value of held-to-maturity financial assets – bonds	<u>36,040</u>	<u>42,640</u>

8. OTHER INVESTMENTS — (continued)

	<i>Group</i>	
	<i>2005/2006</i>	<i>2004/2005</i>
	<i>S\$'000</i>	<i>S\$'000</i>
<i>Current investments:</i>		
Available-for-sale financial assets (current portion)	10,000	11,000
Held-to-maturity financial assets		
— Bonds at amortised cost	10,929	8,981
Held-for-trading financial assets		
Balance as at 1 April		
— At cost	8,150	8,207
— Effect of adopting FRS 39	1,596	—
Balance as at 1 April, restated	9,746	8,207
Disposals	(9,746)	(57)
Balance as at 31 March	—	8,150
	20,929	28,131
Fair value of held-to-maturity financial assets – bonds	10,829	9,210

Available-for-sale financial assets include:

	<i>Group</i>		
	<i>2005/2006</i>	<i>2004/2005</i>	<i>2004/2005</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
	<i>At fair value</i>	<i>At fair value</i>	<i>At cost</i>
Equity securities	33,681	28,331	23,985
Money market fund	—	5,048	5,000
Floating rate notes	10,000	11,000	11,000
	43,681	44,379	39,985

Financial assets at fair value through profit or loss includes:

	<i>Group</i>		
	<i>2005/2006</i>	<i>2004/2005</i>	<i>2004/2005</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
	<i>At fair value</i>	<i>At fair value</i>	<i>At cost</i>
Investments placed with fund managers			
— Quoted equity shares	—	9,633	8,066
— Quoted bonds	—	113	84
	—	9,746	8,150

All these financial assets are denominated in Singapore Dollars.

Fair value of financial assets is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

The bonds and floating rate notes bear an effective weighted average interest rate of 4.97% (FY 2004/2005: 4.96%) and 4.1% (FY 2004/2005: 2.2%) per annum respectively with maturity dates from May 2005 to December 2011.

9. PROPERTIES UNDER DEVELOPMENT

	<i>HDB and Group</i>	
	<i>2005/2006</i>	<i>2004/2005</i>
	<i>S\$'000</i>	<i>S\$'000</i>
Land	1,990,820	2,298,115
Buildings	615,855	572,998
Upgrading works	63,480	105,617
Improvement works	23,412	32,470
	<u>2,693,567</u>	<u>3,009,200</u>
<i>Less:</i>		
Provision for foreseeable loss	(668,833)	(650,547)
Balance as at 31 March	<u>2,024,734</u>	<u>2,358,653</u>
Interest capitalised during the year (Note 18)	<u>55,378</u>	<u>65,873</u>

Development of flats is expected to incur a loss on completion. The estimated loss for the properties under development is charged to operating expenses. On completion, the loss is reclassified to provision for unrealised loss of the properties for sale (Note 10).

During the financial year, interest capitalised as properties under development amounted to S\$55 million (FY 2004/2005 : S\$66 million) at a capitalisation rate of 3.86% (FY 2004/2005 : 4.01%).

10. PROPERTIES FOR SALE

	<i>HDB and Group</i>	
	<i>2005/2006</i>	<i>2004/2005</i>
	<i>S\$'000</i>	<i>S\$'000</i>
Cost of flats	2,420,822	3,535,246
<i>Less:</i>		
Provision for unrealised loss	(165,905)	(206,203)
Balance as at 31 March	<u>2,254,917</u>	<u>3,329,043</u>

The properties for sale are stated at the lower of cost and net realisable value. When the flats are sold, the unrealised loss of S\$111 million (FY 2004/2005: S\$136 million) previously provided upon development/acquisition is released to cost of sales. Based on the estimated selling price, the provision for unrealised loss for flats developed/acquired is charged to operating expenses.

11. GOVERNMENT GRANT RECEIVABLE

	<i>HDB and Group</i>	
	<i>2005/2006</i>	<i>2004/2005</i>
	<i>S\$'000</i>	<i>S\$'000</i>
Balance as at 1 April	490,103	270,608
<i>Less:</i>		
Amount received	(588,528)	(699,814)
	(98,425)	(429,206)
Transfer from Income and Expenditure Statement	754,695	919,309
Balance as at 31 March	<u>656,270</u>	<u>490,103</u>

The amount transferred from Income and Expenditure Statement is the deficit to be financed by the Government under existing financing arrangement (see Note 2.24).

12. DEBTORS AND OTHER RECEIVABLES

	<i>HDB</i>		<i>Group</i>	
	<i>2005/2006</i>	<i>2004/2005</i>	<i>2005/2006</i>	<i>2004/2005</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Debtors	279,229	260,932	283,539	265,151
<i>Less:</i>				
Provision for doubtful debts	(23,305)	(26,301)	(23,305)	(26,301)
	255,924	234,631	260,234	238,850
Prepayments	35,614	42,866	35,614	42,866
Others	1,206	1,366	3,162	3,667
	292,744	278,863	299,010	285,383

The movements of provision for doubtful debts for HDB and Group:

	<i>HDB</i>		<i>Group</i>	
	<i>2005/2006</i>	<i>2004/2005</i>	<i>2005/2006</i>	<i>2004/2005</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Balance as at 1 April	26,301	17,543	26,301	17,665
Provision for the year	4,079	15,442	4,079	15,442
Provisions utilised	(7,075)	(6,684)	(7,075)	(6,806)
Balance as at 31 March	23,305	26,301	23,305	26,301

13. CASH AND CASH EQUIVALENTS

	<i>HDB</i>		<i>Group</i>	
	<i>2005/2006</i>	<i>2004/2005</i>	<i>2005/2006</i>	<i>2004/2005</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Bank balances and cash	12,520	36,641	13,724	37,987
Fixed deposits	6,500	10,500	29,230	37,492
	19,020	47,141	42,954	75,479

14. LOANS PAYABLE

	<i>HDB and Group</i>	
	<i>2005/2006</i>	<i>2004/2005</i>
	<i>S\$'000</i>	<i>S\$'000</i>
<i>Government Loans</i>		
Housing development loans	3,705,362	5,896,461
Mortgage financing loans	54,581,214	56,551,589
Upgrading financing loans	119,470	116,071
	58,406,046	62,564,121
<i>Bonds</i>		
Principal	4,400,000	3,400,000
<i>Add: Net unamortised premium/discount</i>	3,065	3,336
	4,403,065	3,403,336
<i>Bank Loans (unsecured)</i>	840,500	1,415,500
Balance as at 31 March	63,649,611	67,382,957

14. LOANS PAYABLE — (continued)

	<i>HDB and Group</i>	
	<i>2005/2006</i> S\$'000	<i>2004/2005</i> S\$'000
Represented by amount payable:		
Within 1 year	5,484,686	5,375,566
Later than 1 year but not more than 2 years	4,262,487	4,583,733
Later than 2 years but not more than 5 years	13,809,923	13,182,429
Later than 5 years	40,092,515	44,241,229
	58,164,925	62,007,391
	63,649,611	67,382,957

The loans and bonds are denominated in Singapore Dollars.

The movements during the year for the Group:

	<i>Balance as at</i> <i>1.4.2005</i> S\$'000	<i>Borrowings</i> S\$'000	<i>Repayment</i> S\$'000	<i>Balance as at</i> <i>31.3.2006</i> S\$'000
<i>Government Loans</i>				
Housing development loans	5,896,461	—	2,191,099	3,705,362
Mortgage financing loans	56,551,589	2,361,346	4,331,721	54,581,214
Upgrading financing loans	116,071	17,778	14,379	119,470
	62,564,121	2,379,124	6,537,199	58,406,046
<i>Bonds</i>				
Principal	3,400,000	1,500,000	500,000	4,400,000
Premium/discount on bonds	3,336	—	271	3,065
	3,403,336	1,500,000	500,271	4,403,065
<i>Bank Loans (unsecured)</i>	1,415,500	7,190,000	7,765,000	840,500
	67,382,957	11,069,124	14,802,470	63,649,611

Interest rates and repayment terms on the loans are:

	<i>Interest rate</i> (per annum)	<i>Repayment term</i>
Housing development loans	4.50%	20 years
Mortgage financing loans	2.50% to 3.40%	Up to 30 years
Upgrading financing loans	2.50%	10 years
Bank loans (unsecured)	1.54% to 3.70%	Up to 1 year

14. LOANS PAYABLE — (*continued*)

Bonds are issued to finance HDB's development programme and working capital requirements as well as to refinance its existing housing development loans. The bonds are as follows:

<u>Series no.</u>	<u>Principal</u> S\$M	<u>Coupon rate</u> (per annum)	<u>Maturity</u>
002	500	4.250%	7 years redeemable on 13 May 2006
003	600	5.070%	10 years redeemable on 21 September 2009
004	500	4.198%	5 years redeemable on 13 September 2005
005	500	3.520%	7 years redeemable on 13 February 2008
006	500	3.215%	5 years redeemable on 18 September 2006
007	250	2.420%	5 years redeemable on 23 February 2009
008	250	3.560%	10 years redeemable on 23 February 2014
009	300	2.520%	5 years redeemable on 3 November 2009
010	500	3.375%	10 years redeemable on 21 April 2015
011	400	2.820%	5 years redeemable on 6 October 2010
012	100	3.200%	10 years redeemable on 12 October 2015
013	400	3.455%	5 years redeemable on 1 March 2011
014	100	3.730%	10 years redeemable on 7 March 2016

15. CREDITORS AND OTHER PAYABLES

	<u>HDB</u>		<u>Group</u>	
	<u>2005/2006</u>	<u>2004/2005</u>	<u>2005/2006</u>	<u>2004/2005</u>
	S\$'000	S\$'000	S\$'000	S\$'000
Creditors	494,289	635,003	507,795	647,341
Deposits and advances	420,422	434,953	420,422	434,953
Deferred income (Note 16)	69,055	70,869	70,280	73,128
Interest payable	249,700	144,990	249,700	144,990
Provisions	21,044	21,117	23,563	23,766
Provision for income tax	—	—	2,726	2,975
	<u>1,254,510</u>	<u>1,306,932</u>	<u>1,274,486</u>	<u>1,327,153</u>

Provisions were made for restoration works for the former quarry sites, pending firm development plans by the respective agencies that would be taking over the sites.

The movement of provisions for HDB and Group is:

	<u>HDB</u>		<u>Group</u>	
	<u>2005/2006</u>	<u>2004/2005</u>	<u>2005/2006</u>	<u>2004/2005</u>
	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 April	21,117	95,131	23,766	98,084
Provisions utilised	(73)	(26)	(203)	(330)
Unutilised provisions written back to Income and Expenditure Statement	—	(73,988)	—	(73,988)
Balance as at 31 March	<u>21,044</u>	<u>21,117</u>	<u>23,563</u>	<u>23,766</u>

16. DEFERRED INCOME

	<i>HDB</i>		<i>Group</i>	
	<i>2005/2006</i>	<i>2004/2005</i>	<i>2005/2006</i>	<i>2004/2005</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Within 1 year (Note 15)	69,055	70,869	70,280	73,128
From 1 to 5 years	134,809	136,878	134,809	136,878
More than 5 years	474,136	476,913	474,136	476,913
	608,945	613,791	608,945	613,791
	678,000	684,660	679,225	686,919

Deferred income relates principally to amount receivable or received in advance in respect of land leases and the sale of commercial and industrial properties under operating leases. The amount is amortised to the Income and Expenditure Statement over the life of the lease.

17. INCOME

	<i>HDB</i>		<i>Group</i>	
	<i>2005/2006</i>	<i>2004/2005</i>	<i>2005/2006</i>	<i>2004/2005</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Interest income	1,531,730	1,618,711	1,531,730	1,618,711
Rental income	757,441	690,169	760,990	687,937
Car park charges	365,272	326,313	364,731	325,786
Building resources, agency and consultancy fees	112,084	120,672	186,981	201,812
Gain on disposal of assets	79,242	57,763	79,236	57,767
Levy on resale flats and sales premium	45,291	41,233	45,291	41,233
Investment income	25,043	3,504	5,623	6,023
Recoveries, fees and others	251,502	271,552	251,841	272,646
	3,167,605	3,129,917	3,226,423	3,211,915

Interest income is derived mainly from mortgage loans granted to the purchasers of HDB flats.

Rental income is mainly from investment properties and other properties.

Investment income includes dividend income as follows:

	<i>HDB</i>		<i>Group</i>	
	<i>2005/2006</i>	<i>2004/2005</i>	<i>2005/2006</i>	<i>2004/2005</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Dividends from				
— Unquoted subsidiary companies	24,465	3,346	—	—
— Others	—	—	1,556	1,604

18. FINANCIAL EXPENSES

	<i>HDB and Group</i>	
	<i>2005/2006</i>	<i>2004/2005</i>
	<i>S\$'000</i>	<i>S\$'000</i>
Interest expense from		
— Government loans	1,682,716	1,858,807
— Bank loans	36,501	14,057
— Bonds	141,707	124,227
	1,860,924	1,997,091
<i>Less:</i>		
Interest capitalised as properties under development (Note 9)	(55,378)	(65,873)
Bond amortisation	(271)	(256)
	<u>1,805,275</u>	<u>1,930,962</u>

19. OPERATING EXPENSES

	<i>HDB</i>		<i>Group</i>	
	<i>2005/2006</i>	<i>2004/2005</i>	<i>2005/2006</i>	<i>2004/2005</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Provision for loss for properties under development/for sale	214,129	309,746	214,129	305,026
Upgrading and improvements	436,857	500,822	436,857	496,610
Depreciation	347,095	327,474	347,522	328,878
Impairment losses	765,505	—	765,505	—
Bad and doubtful debts	85,054	32,487	85,054	32,487
Board members' fees	70	54	70	54
Directors' fees and remuneration	—	—	594	2,197
Auditors' remuneration	600	600	635	708
Expenses capitalised	(10,969)	(11,679)	(10,969)	(11,679)

19.1 EMPLOYEE BENEFIT COSTS

	<i>HDB</i>		<i>Group</i>	
	<i>2005/2006</i>	<i>2004/2005</i>	<i>2005/2006</i>	<i>2004/2005</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Salaries and bonuses	275,885	279,356	321,932	365,207
Contribution to Central Provident Fund	28,946	31,961	34,073	41,836
Other staff related costs	7,137	5,235	8,426	7,880
Termination benefits	11,363	—	11,363	—
	<u>323,331</u>	<u>316,552</u>	<u>375,794</u>	<u>414,923</u>

Termination benefits comprise expenditure made under the Special Resignation Scheme to affected staff when HDB outsourced its remaining car park enforcement operations to the private service providers in August 2005.

19.1 EMPLOYEE BENEFIT COSTS — (continued)

Employee benefit costs include the key officers' remuneration as follows:

	<i>HDB</i>		<i>Group</i>	
	<i>2005/2006</i>	<i>2004/2005</i>	<i>2005/2006</i>	<i>2004/2005</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Salaries and other short-term employee benefits	<u>4,434</u>	<u>4,792</u>	<u>5,028</u>	<u>6,989</u>

20. OTHER EXPENSES

Other expenses comprise CPF housing grant disbursed to eligible citizens for the purchase of flats in accordance with approved housing policy of the Government.

21. LOSS ON DIVESTMENT OF SUBSIDIARY COMPANY

In line with HDB's efforts to focus on its core role as the public housing authority in Singapore, HDB sold its total investment in HDB Corporation Pte Ltd to Temasek Holdings (Private) Limited in September 2004. The net assets disposed was S\$117 million and the net cash outflow from the disposal of the subsidiary company was S\$52 million.

22. GOVERNMENT GRANT

Cumulative grant from the Government since the establishment of HDB in 1960 amounts to:

	<i>2005/2006</i>	<i>2004/2005</i>
	<i>S\$'000</i>	<i>S\$'000</i>
Total grant as at 1 April	14,492,112	13,572,803
Grant for Financial Year	<u>754,695</u>	<u>919,309</u>
Total grant as at 31 March	<u>15,246,807</u>	<u>14,492,112</u>

23. SIGNIFICANT RELATED PARTY TRANSACTIONS

HDB is a statutory body incorporated under the Housing and Development Act (see Note 1). As a statutory board, all Government ministries and departments, and statutory boards are deemed related parties of HDB.

During the year, HDB has significant transactions with its supervisory ministry, MND, and other related parties listed below, other than statutory charges and transactions disclosed elsewhere in the financial statements.

	<i>2005/2006</i>	<i>2004/2005</i>
	<i>S\$'000</i>	<i>S\$'000</i>
<i>HDB's transactions with:</i>		
<i>Subsidiary companies</i>		
Expenses paid/payable:		
— Consultancy, surveying and project management services	—	44,178
— Site supervision	—	18,794
— Construction material procurement and supply services	—	811
— Property management	1,455	3,834
— Telemonitoring management, mechanical and electrical services	1,513	1,992
— Others	758	1,446

23. SIGNIFICANT RELATED PARTY TRANSACTIONS — *(continued)*

	2005/2006 S\$'000	2004/2005 S\$'000
Income received/receivable:		
— Rental of premises	615	4,400
— Sales and services rendered	541	768
<i>MND</i>		
Income received/receivable:		
— Agency fees	14,537	13,571
— Consultancy, surveying and project management services	10,347	7,302
<i>SLA</i>		
— Purchase of land	266,197	804,683
— Proceeds from return of land, flats and other properties	139,609	87,985
<i>NEA</i>		
— Agency fees and recoveries	28,119	22,547
<i>Other Ministries and Statutory Boards</i>		
— Agency fees, recoveries and others	1,695	9,619
<i>Town Councils</i>		
— Operating fees for car park maintenance	32,040	31,762
<i>Subsidiary companies' transactions with:</i>		
<i>Town Councils and Statutory Boards</i>		
— Estate management agency fees	47,079	43,856
<i>Net amounts due to related parties as at 31 March</i>	24,916	155,424

The outstanding amounts are unsecured. There are no guarantees provided or received in respect of the related party balances. For FY 2005/2006, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (FY 2004/2005: Nil).

24. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to interest rate risk, credit risk and liquidity risk.

HDB's exposure to market risk for changes in interest rate relates primarily to the government loans. HDB manages its interest rate exposure by largely matching the terms of the government loans with that of the loans receivables. HDB uses various sources of funding to manage interest costs. In addition to government loans, HDB also accesses the capital market and financial institutions for its funding requirements. The bank loans (unsecured) are short-term in nature and any future variation in interest rates will not have a material impact on the results of the Group. Information relating to the Group's interest rate exposure is disclosed in Note 14 on the Group's loans payable.

The Group's loans receivables comprise largely mortgage loans to purchasers of HDB flats. Policies on loan quantum and credit assessment are in place for the granting of mortgage loans to flat buyers with the flats as collateral. A provision is established in respect of the estimated loss arising from the non-performing mortgage loans. The provision represents the aggregate amount by which management considers it necessary to write down its mortgage loan in order to state it in the balance sheet at its estimated net realisable value. A specific provision of S\$74 million is made in the financial statements in respect of non-performing mortgage loans where the collateral held is insufficient to discharge the outstanding mortgage loan.

The Group is of the view that there is no liquidity risk as the Group monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations. Funding is also made available through an adequate amount of committed credit facilities. The MOF will act as the lender of last resort to HDB for its funding requirements.

25. SEGMENTAL INFORMATION

BUSINESS SEGMENTS

The Group operates predominantly in Singapore, and therefore the revenues are generated from and the assets are located principally in Singapore.

The Group's results are presented under seven business segments in respect of the Group's main activities and the government programmes implemented:

Home Ownership

Home ownership focuses on providing home ownership flats to eligible purchasers of HDB flats under the various home ownership schemes.

Upgrading

Upgrading focus on the upgrading programmes to renew and rejuvenate the older HDB estates.

Residential Ancillary Functions

Residential ancillary functions focus on implementing housing policies, managing ancillary facilities such as car parks in housing estates, and planning and building administration.

Rental Flats

Rental flats focus on providing rental flats to eligible tenants under the various rental housing schemes.

Other Rental and Related Businesses

Other rental and related businesses focus on the tenancy and management of investment properties and other properties owned by HDB.

Mortgage Financing

Mortgage financing focus on providing housing loans to eligible purchasers of HDB flats.

Agency and Others

Agency and others encompass estate management services, architectural and engineering consultancy services and agency projects on behalf of the Government.

25. SEGMENTAL INFORMATION — (continued)

FY 2005/2006

	Home Ownership S\$M	Upgrading S\$M	Residential Ancillary Functions S\$M	Rental Flats S\$M	Other Rental and Related Businesses S\$M	Mortgage Financing S\$M	Agency and Others S\$M	Eliminations S\$M	Group S\$M
Sale proceeds	2,168	—	31	—	2	—	—	—	2,201
Cost of sales	(2,040)	—	(28)	—	(1)	—	—	—	(2,069)
Gross profit on sales	128	—	3	—	1	—	—	—	132
Income									
— External	56	95	475	19	926	1,543	112	—	3,226
— Inter-segment	—	—	—	—	1	—	28	(29)	—
Total	56	95	475	19	927	1,543	140	(29)	3,226
Results	(454)	(306)	(236)	(70)	(321)	(51)	45	(24)	(1,417)
Government grant									755
Taxation									(2)
Minority interests									(3)
Net deficit									(667)
Segment assets	3,862	227	9,136	2,611	8,172	54,602	568	—	79,178
Unallocated assets									730
Total assets									79,908
Segment liabilities	3,053	195	3,636	6	3,450	54,736	317	—	65,393
Unallocated liabilities									140
Total liabilities									65,533
Capital additions	8	—	115	—	76	—	4	—	203
Depreciation	(2)	—	(145)	(44)	(147)	—	(10)	—	(348)
Impairment losses	—	—	—	—	(766)	—	—	—	(766)
CPF housing grant	(274)	—	—	—	—	—	—	—	(274)
Provision for loss for properties under development/for sale	(214)	—	—	—	—	—	—	—	(214)
Upgrading and improvements	—	(359)	(39)	(6)	(33)	—	—	—	(437)
Bad and doubtful debts	—	—	—	(1)	(5)	(79)	—	—	(85)
Termination benefits	—	—	(11)	—	—	—	—	—	(11)
Investment properties:									
— Rental income	—	—	—	—	413	—	—	—	413
— Operating expenses	—	—	—	—	(998)	—	—	—	(998)

25. SEGMENTAL INFORMATION — (continued)

FY 2004/2005

	Home Ownership	Upgrading	Residential Ancillary Functions	Rental Flats	Other Rental and Related Businesses	Mortgage Financing	Agency and Others	Eliminations	Group
	S\$M	S\$M	S\$M	S\$M	S\$M	S\$M	S\$M	S\$M	S\$M
Sale proceeds	1,936	—	18	—	14	—	—	—	1,968
Cost of sales	(1,830)	—	(11)	—	(11)	—	—	—	(1,852)
Gross profit on sales	106	—	7	—	3	—	—	—	116
Income									
— External	50	86	448	17	865	1,628	118	—	3,212
— Inter-segment	—	—	1	—	4	—	71	(76)	—
Total	50	86	449	17	869	1,628	189	(76)	3,212
Results	(553)	(374)	(220)	(99)	396	17	37	—	(796)
Share of results of associated companies and joint ventures									2
Government grant									919
Taxation									(5)
Minority Interests									(3)
Net surplus									117
Segment assets	4,892	243	9,333	2,714	9,861	56,624	667	—	84,334
Unallocated assets									621
Total assets									84,955
Segment liabilities	3,707	203	4,140	9	3,931	56,694	489	—	69,173
Unallocated liabilities									151
Total liabilities									69,324
Capital additions	—	—	245	—	234	—	3	—	482
Depreciation	(3)	—	(131)	(44)	(138)	—	(13)	—	(329)
CPF housing grant	(230)	—	—	—	—	—	—	—	(230)
Provision for loss for properties under development/for sale	(310)	—	—	—	—	—	—	5	(305)
Upgrading and improvements	—	(415)	(35)	(29)	(22)	—	—	4	(497)
Bad and doubtful debts	—	—	—	(3)	(13)	(16)	—	—	(32)
Investment Properties:									
— Rental income	—	—	—	—	383	—	—	—	383
— Operating expenses	—	—	—	—	(294)	—	—	—	(294)

26. COMMITMENTS FOR CAPITAL EXPENDITURE

The following commitments for capital expenditure are not provided for in the financial statements:

	<i>HDB</i>		<i>Group</i>	
	<i>2005/2006</i>	<i>2004/2005</i>	<i>2005/2006</i>	<i>2004/2005</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Authorised and contracted for	1,284,073	966,438	1,287,226	968,056
Authorised but not contracted for	1,040,468	892,410	1,040,468	892,410
	<u>2,324,541</u>	<u>1,858,848</u>	<u>2,327,694</u>	<u>1,860,466</u>

27. CONTINGENT LIABILITIES

MODIFICATION WORK

A claim involving rebar works for structural columns had been made by a contractor. This matter was referred to an arbitrator and parties are in the process of appointing an arbitrator. The estimated claim is about S\$2.4 million. Based on legal advice and the information presently available, HDB believes that the claim will not succeed and accordingly, no provision has been made in respect of the claim.

BANKERS' GUARANTEE

At balance sheet date, contingent liabilities of a subsidiary company not provided for in the financial statements in respect of bankers' guarantees issued to third parties amounted to S\$15.6 million (FY 2004/2005: S\$14.2 million).

28. COMPARATIVE FIGURES

Comparative figures were restated due to changes in accounting policies (see Note 2.25) and to conform to the current year's presentation.